

Saizen Real Estate Investment Trust

(A real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore (as amended))

Announcement In Relation To The Unaudited Quarterly And Full Year Financial Statements For The Period And Year Ended 30 June 2014

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INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 3.10 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 30 June 2014 (“**2H FY2014**”). The distribution per Unit (“**DPU**”) for the corresponding six-month financial period ended 30 June 2013 (“**2H FY2013**”) was 3.15 cents (as adjusted for the Unit Consolidation¹). This decrease in DPU was mainly due to the depreciation of the JPY against the S\$.

The DPU for financial year ended 30 June 2014 (“**FY2014**”) will amount to an aggregate of 6.35 cents as compared to an aggregate of 6.45 cents for the previous financial year ended 30 June 2013 (“**FY2013**”). Notwithstanding the increase of 5.0% in distributable income generated during the year from JPY 1,390.2 million (S\$17.1 million²) in FY2013 to JPY 1,459.9 million (S\$18.0 million) in FY2014, the depreciation of the JPY against the S\$ contributed to the decrease in aggregate DPU for FY2014.

The distributable income includes an amount from capital cash resources which will be used to offset loan principal repayment. For 2H FY2014, the use of capital cash resources to offset loan principal repayment contributed to 1.46 cents out of the DPU of 3.10 cents. Going forward, the ability to offset such loan principal repayment will depend on the availability of such cash resources. Such cash resources may include warrant proceeds on hand and cash raised on new loans in future.

Property operations remained stable in FY2014. Revenue and net property income increased by 3.4% and 2.6% in FY2014 as compared to FY2013. Net income from operations increased by 15.8% on the back of a higher net income from property operations and the non-recurrence of one-off refinancing-related costs incurred in FY2013.

Year-on-year revenue, net property income and net income from operations for the fourth quarter ended 30 June 2014 (“**4Q FY2014**”) remained relatively stable.

The average occupancy rate was 91.0% in FY2014 as compared to 91.9% in FY2013, while overall rental reversion of new contracts entered into in FY2014 was marginally lower by about 0.5% (FY2013: lower by about 0.5%) from previous contracted rates. The average turnover rate remained stable at 19% in FY2014.

Downward rental reversions were mainly recorded for expired contracts previously entered into prior to 2008 as the rent of such contracts had not been changed to prevailing market rates during their multiple contract renewals over the years. Meanwhile, reversions in 4Q FY2014 which involved expired contracts previously entered into from 2011 onwards were mostly transacted at the same or higher rents.

Saizen REIT divested 1 property, namely Saumur Meinohama II, in FY2014 at a premium of 19.0% over its valuation.

Debt profile strengthened. The existing loan obtained from the Tokyo Star Bank Ltd by 6 TK operators (the “**TSB Loan**”) had been successfully extended by a further 5 years, with the new maturity date set in February 2023 (from February 2018 previously). In return, 4 additional properties, valued at approximately JPY 1.7 billion (S\$20.9 million), were pledged as collateral under the TSB Loan. Saizen REIT’s nearest loan maturity commitment is in March 2020.

GK Choan managed to secure the release of 6 collateral properties, valued at approximately JPY 2.5 billion (S\$30.8 million), under its loan from Mizuho Bank Ltd without incurring any loan penalty. 4 of these properties were pledged as collateral under the TSB Loan as described above.

The weakening of the JPY against the S\$ in FY2014 had weighed on Saizen REIT’s net asset value and income in S\$-terms. Saizen REIT has hedged the distribution payment for 2H FY2014 and for the six-month financial period ending 31 December 2014. On the other hand, the foreign exchange exposure on Saizen REIT’s assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged.

The financial year-end of Saizen REIT is 30 June.

Key financial information

	FY2014	FY2013
Net asset value per Unit as at 30 June (JPY)	99.3 ³	96.9 ⁴
(S\$)	1.22 ³	1.24 ⁴
Distribution per Unit (cents)	6.35 ⁵	6.45 ⁶
Interest cover ratio ⁷	6.2 times	6.0 times
Net impairment of trade receivables ⁸ as % of gross revenue	0.017%	0.046%
Gearing – net borrowings ⁹ /value of investment properties	30.9%	31.6%
Gearing – total borrowings / total assets	36.5%	38.0%
Net cash as at 30 June	JPY4.29 billion	JPY 4.98 billion
Borrowings due within next 12 months	JPY 1.56 billion	JPY 1.52 billion
Value of investment properties as at 30 June	JPY 42.06 billion	JPY 41.18 billion
Net appreciation in the value of investment properties	JPY 0.84 billion	JPY 0.40 billion
Average occupancy rate (by revenue)	91.0%	91.9%

Notes:

1. Saizen REIT completed a Unit Consolidation exercise on 8 November 2013 (the “Unit Consolidation”). Please refer to Saizen REIT’s circular dated 30 September 2013 for more information on the Unit Consolidation.
2. Based on an exchange rate of JPY81.3/S\$ as at 30 June 2014, which is applied throughout this announcement unless stated otherwise.
3. Based on 283,611,720 Units in issue as at 30 June 2014 and an exchange rate of JPY81.3/S\$ as at 30 June 2014.
4. Based on 283,611,720 Units in issue as at 30 June 2013 and an exchange rate of JPY78.3/S\$ as at 30 June 2013.
5. Distribution per Unit in FY2014 comprised DPU of 3.25 cents and 3.10 cents declared for 1H FY2014 and 2H FY2014 respectively.
6. Distribution per Unit in FY2013 has been adjusted for the effect of Unit Consolidation which completed on 8 November 2013, which comprised DPU of 3.30 cents and 3.15 cents declared for 1H FY2013 and 2H FY2013 respectively.
7. Net property income of 4Q divided by the sum of interest expenses and realised loss on interest rate swap of 4Q.
8. Net impairment of trade receivables comprised the sum of impairment/write back of trade receivables and trade receivables written-off.
9. Net borrowings is equal to total borrowings less net cash (cash at bank plus deposit with cash management agent less current rental deposits, other current liabilities and current tax liabilities).

Summary of results

Net asset value attributable to Unitholders increased from JPY 27.5 billion as at 30 June 2013 to JPY 28.2 billion as at 30 June 2014, attributable mainly to the total return of the Group in 2H FY2014 (augmented by an increase in property valuations), and partially offset by the payment of distributions for the six-month financial period ended 31 December 2013 (“1H FY2014”).

However, due mainly to the depreciation of the JPY against the S\$ of approximately 3.7%, net asset value per Unit decreased from S\$1.24 (as adjusted for the Unit Consolidation) as at 30 June 2013 to S\$1.22 as at 30 June 2014.

The following is a summary of Saizen REIT’s operating performance for 4Q FY2014, the fourth quarter ended 30 June 2013 (“4Q FY2013”), FY2014 and FY2013.

	4Q FY2014 ¹	4Q FY2013 ²	FY2014 ³	FY2013 ⁴	Increase / (Decrease) %
Gross revenue (S\$'000) (JPY'000)	12,092 ⁵ 986,741	12,548 ⁶ 992,523	49,245 ⁷ 3,954,382	54,083 ⁸ 3,823,646	3.4
Net property income (S\$'000) (JPY'000)	8,270 ⁵ 674,868	8,580 ⁶ 678,684	33,959 ⁷ 2,726,893	37,578 ⁸ 2,656,772	2.6
Net income from operations (S\$'000) (JPY'000)	5,149 ⁵ 420,199	5,284 ⁶ 417,947	21,672 ⁷ 1,740,242	21,247 ⁸ 1,502,178	15.8
Total return after income tax (S\$'000) (JPY'000)	13,212 ⁵ 1,078,100	12,511 ⁶ 989,603	26,548 ⁷ 2,131,826	23,660 ⁸ 1,672,779	27.4

	2H FY2014	1H FY2014	FY2014	FY2013
Distributable income (S\$'000) (JPY'000)	8,753 ⁹ 711,637	9,448 ¹⁰ 748,271	18,181 ⁷ 1,459,908	19,663 ⁸ 1,390,178
Distribution (S\$'000) (JPY'000)	8,792 ¹¹ 720,941 ¹²	9,217 743,335	18,009 1,464,276	18,298 1,391,471
Distribution per Unit¹³ (cents)	3.10	3.25	6.35	6.45

Notes:

1. There were 139 properties at the start of 4Q FY2014 and 138 properties at the end of 4Q FY2014.
2. There were 137 properties at the start of 4Q FY2013 and 139 properties at the end of 4Q FY2013.
3. There were 139 properties at the start of FY2014 and 138 properties at the end of FY2014.
4. There were 134 properties at the start of FY2013 and 139 properties at the end of FY2013.
5. Based on an average exchange rate of JPY81.6/S\$ between 1 April 2014 and 30 June 2014.
6. Based on an average exchange rate of JPY79.1/S\$ between 1 April 2013 and 30 June 2013.
7. Based on an average exchange rate of JPY80.3/S\$ between 1 July 2013 and 30 June 2014.
8. Based on an average exchange rate of JPY70.7/S\$ between 1 July 2012 and 30 June 2013.
9. Based on an average exchange rate of JPY81.3/S\$ between 1 January 2014 and 30 June 2014.
10. Based on an average exchange rate of JPY79.2/S\$ between 1 July 2013 and 31 December 2013.
11. Based on 283,611,720 Units in issue.
12. Based on an estimated hedged exchange rate of JPY82.00/S\$.
13. The portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment) amounted to 1.46 cents, 1.20 cents, 2.66 cents and 2.76 cents in 2H FY2014, 1H FY2014, FY2014 and FY2013 respectively. Please refer to note 3 of the Statement of distributable income from operations on page 8 for further information.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	3.10 cents per Unit
Books closure date	4 September 2014, 5.00 p.m.
Date payable	26 September 2014

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited on 9 November 2007, is the first REIT listed in Singapore offering exclusive access to Japanese residential real estate.

The principal investment objective of Saizen REIT is to invest in a diversified portfolio of income-producing real estate located in Japan, which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing.

Saizen REIT's portfolio as at 30 June 2014 comprised 138 properties located in 14 cities in Japan, and was valued at approximately JPY 42.1 billion (\$517.8 million).

Saizen REIT invests in the properties in Japan via partnership agreements ("**TK agreements**") with local property holding companies known as *tokumei kumiai* operators ("**TK operators**"). As at the date hereof, Saizen REIT has entered into TK agreements with 13 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou, GK Gyosei, GK Tosei and GK Gytatsu.

The manager of Saizen REIT is Japan Residential Assets Manager Limited (the "**Manager**") and the asset manager of the TK operators is KK Tenyu Asset Management (the "**Asset Manager**") (together, the "**Management Team**").

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (4Q FY2014 vs 4Q FY2013)**

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	986,741	992,523	(0.6)
Property operating expenses	(311,873)	(313,839)	(0.6)
Net property income	674,868	678,684	(0.6)
Manager's management fees	(51,320)	(49,269)	4.2
Asset management fees	(22,529)	(27,647)	(18.5)
Trustee's fee	(3,551)	(2,883)	23.2
Finance costs ¹	(104,299)	(331,106)	(68.5)
Interest income	444	568	(21.8)
Other (expenses)/income ²	(6,570)	213,575	NM ³
Other trust expenses	(26,628)	(23,704)	12.3
Other administrative expenses	(40,216)	(40,271)	(0.1)
Net income from operations	420,199	417,947	0.5
Gain on divestment of property	4,716	-	NM ³
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(67,731)	128,868	NM ³
Net fair value gain on investment properties	838,431	584,668	43.4
Total return for the period before income tax⁵	1,195,615	1,131,483	5.7
Income tax ⁶	(117,515)	(141,880)	(17.2)
Total return for the period after income tax	<u>1,078,100</u>	<u>989,603</u>	8.9
Attributable to:			
Unitholders	1,062,886	981,399	8.3
Non-controlling interests	15,214	8,204	85.4
	<u>1,078,100</u>	<u>989,603</u>	8.9

Notes:

1. Finance costs comprised the following:

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(89,332)	(93,509)	(4.5)
(ii) amortisation of loan commission	(12,657)	(13,515)	(6.3)
(iii) guarantor fee to asset manager	(7,794)	(8,095)	(3.7)
(iv) foreign exchange difference from financing	5,484	(215,987)	NM ³

2. Other (expenses)/income comprised mainly unrealised foreign exchange (loss)/gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.

3. NM denotes not meaningful.

4. Fair value gain/loss on financial derivatives comprised the following:

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,163)	(20,147)	(0.1)
(ii) unrealised fair value (loss)/gain on interest rate swap	(35,911)	146,475	NM ³
(iii) fair value (loss)/gain on forward contract and/or zero cost collar	(11,657)	2,540	NM ³

The unrealised fair value gain/(loss) on interest rate swap in 4Q FY2014 and 4Q FY2013 was related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value gain/(loss) on interest rate swap is non-cash in nature.

5. The Group's total return before income tax was arrived at after charging the following:

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) impairment on trade receivables	(166)	(781)	(78.7)
(ii) trade receivables written-off	(85)	(209)	(59.3)

6. Income tax comprised the imputed 20.42% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 202.2 million and JPY 199.0 million in 4Q FY2014 and 4Q FY2013 respectively.

Statement of total return (for the Group) (FY2014 vs FY2013)

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,954,382	3,823,646	3.4
Property operating expenses	(1,227,489)	(1,166,874)	5.2
Net property income	2,726,893	2,656,772	2.6
Manager's management fees	(205,877)	(189,957)	8.4
Asset management fees	(48,203)	(49,797)	(3.2)
Trustee's fee	(10,224)	(10,710)	(4.5)
Finance costs ¹	(496,189)	(856,089)	(42.0)
Interest income	2,611	2,318	12.6
Other income ²	42,784	213,575	(80.0)
Other trust expenses	(111,800)	(84,602)	32.1
Other administrative expenses	(159,753)	(179,332)	(10.9)
Net income from operations	1,740,242	1,502,178	15.8
Gain on divestment of properties	4,716	15,807	(70.2)
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(189,575)	16,109	NM ³
Net fair value gain on investment properties	838,431	403,296	>100.0
Total return for the year before income tax⁵	2,393,814	1,937,390	23.6
Income tax ⁶	(261,988)	(264,611)	(1.0)
Total return for the year after income tax	2,131,826	1,672,779	27.4
Attributable to:			
Unitholders	2,099,879	1,653,867	27.0
Non-controlling interests	31,947	18,912	68.9
	2,131,826	1,672,779	27.4

Notes:

1. Finance costs comprised the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(364,637)	(367,937)	(0.9)
(ii) amortisation of loan commission	(49,533)	(56,829)	(12.8)
(iii) loan commission written-off	-	(147,995)	(100.0)
(iv) guarantor fee to asset manager	(31,668)	(29,307)	8.1
(v) cost of refinancing/repayment	-	(135,913)	(100.0)
(vi) foreign exchange difference from financing	(50,351)	(118,108)	(57.4)

Loan commission written-off and cost of refinancing/repayment in FY2013 related primarily to the refinancing of loans in February 2013 and March 2013. Loan commission written-off is non-cash in nature, while the cost of refinancing/repayment comprised swap breakage costs.

2. Other income comprised mainly unrealised foreign exchange gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.
3. NM denotes not meaningful.
4. Fair value gain/loss on financial derivatives comprised the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(81,015)	(69,012)	17.4
(ii) unrealised fair value (loss)/gain on interest rate swap	(131,573)	76,876	NM ³
(iii) fair value gain on forward contract and/or zero cost collar	23,013	8,245	>100.0

The unrealised fair value gain/(loss) on interest rate swap in FY2014 and FY2013 was related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value loss on interest rate swap is non-cash in nature.

5. The Group's total return before income tax was arrived at after charging the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	311	1,549	(79.9)
(ii) trade receivables written-off	(978)	(3,314)	(70.5)

6. Income tax comprised the imputed 20.42% (from 1 January 2013; previously 20%) withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 807.9 million and JPY 768.0 million in FY2014 and FY2013 respectively.

Statement of distributable income from operations

		2H FY2014	1H FY2014	FY2014	FY2013
Total return for the period/year after income tax before distribution attributable to Unitholders	(JPY'000)	1,327,048	772,831	2,099,879	1,653,867
Adjustments ¹	(JPY'000)	(636,411)	20,501	(615,910)	(326,272)
Adjusted return for the period/year	(JPY'000)	690,637	793,332	1,483,969	1,327,595
Cash deployed for loan principal repayment ²	(JPY'000)	(317,545)	(316,947)	(634,492)	(594,376)
Loan principal repayment offset by capital cash resources ³	(JPY'000)	338,545	275,000	613,545	594,376
Cash deployed for one-off borrowing costs ⁴	(JPY'000)	(108,000)	(3,114)	(111,114)	(201,929)
One-off borrowing costs offset by capital cash resources ⁵	(JPY'000)	108,000	-	108,000	196,841
One-off swap breakage costs offset by capital cash resources ⁶	(JPY'000)	-	-	-	67,671
Distributable income generated during the period/year	(JPY'000)	711,637	748,271	1,459,908	1,390,178
Income available for distribution to Unitholders at the beginning of the period/year	(JPY'000)	752,776	692,174	692,174	575,449
Distribution paid during the period/year ⁷	(JPY'000)	(743,335)	(687,669)	(1,431,004)	(1,273,453)
Distributable income from operations at the end of the period/year	(JPY'000)	721,078	752,776	721,078	692,174
Distribution to Unitholders	(JPY'000)	720,941 ⁸	743,335	1,464,276	1,391,471
Distribution per Unit	(cents)	3.10	3.25	6.35	6.45 ⁹

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain/loss on forward contract and zero cost collar, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loan commission written-off, gain on divestment of properties, net fair value gain on investment properties, deferred tax expenses, provisions for asset management fees (relating to fair value gains in investment properties) and unrealised foreign exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. While loan principal amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.
- Loan principal amortisation in FY2013 and FY2014 had been and will partially be paid with capital cash resources, such as proceeds from new borrowing and/or warrant proceeds, rather than cash generated from operations. This is in line with Saizen REIT's intention to utilise, when possible, undeployed capital cash resources to offset loan principal amortisation, thereby effectively making available cash from operations for distributions.

	2H FY2014	1H FY2014	FY2014	FY2013
Portion of DPU funded by capital cash resources used to offset loan principal repayment (cents)	1.46	1.20	2.66	2.76 ⁹

Cash deployed for loan principal repayment in 1H FY2014 was not fully offset by capital cash resources. Based on capital cash resources available, additional capital cash resources will be used in 2H FY2014 to offset the total loan amortisation repayment made in FY2014. As such, the amount of capital cash resources to be used to offset loan principal repayment in 2H FY2014 will exceed the amount of cash deployed for loan principal repayment in the same period.

- The amount deployed for one-off borrowing costs in FY2013 and FY2014 comprised loan-related costs such as upfront loan commissions and legal and professional fees.
- One-off borrowing costs paid in FY2013 and FY2014 had been and will be partially offset using capital cash resources.
- One-off swap breakage costs paid in FY2013 was partially offset using capital cash resources.
- Distribution paid in 2H FY2014 related to the distribution declared for the six-month financial period ended 31 December 2013. Distribution paid in 1H FY2014 related to the distribution declared for the six-month financial period ended 30 June 2013. Distribution paid in FY2013 related to the distribution declared for the six-month financial periods ended 31 December 2012 and 30 June 2012.
- Based on an estimated hedged exchange rate of JPY82.00/US\$.
- This has been adjusted for the effects of the Unit Consolidation.

Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders.

1(b)(i) Balance sheet

	The Group	
	As at 30 Jun 2014 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	5,162,431	5,994,633
Deposits with cash management agents	510	540
Trade and other receivables	20,349	27,829
Other current assets	60,212	62,853
Derivative financial instruments ¹	4,386	31,583
	<u>5,247,888</u>	<u>6,117,438</u>
Non-current assets		
Investment properties ²	42,056,200	41,177,500
	<u>42,056,200</u>	<u>41,177,500</u>
Total assets	<u>47,304,088</u>	<u>47,294,938</u>
Current liabilities		
Rental deposits	447,847	474,308
Rental received in advance	251,926	306,486
Borrowings	1,559,034	1,519,388
Other current liabilities	293,048	365,124
Current tax liabilities	130,083	177,529
Derivative financial instruments ³	7,725	28,679
	<u>2,689,663</u>	<u>2,871,514</u>
Non-current liabilities		
Rental deposits	33,901	33,828
Borrowings	15,729,710	16,462,821
Derivative financial instruments ⁴	377,343	245,771
Other non-current liabilities ⁵	30,335	15,882
Deferred tax liabilities ⁵	182,054	104,861
	<u>16,353,343</u>	<u>16,863,163</u>
Total liabilities	<u>19,043,006</u>	<u>19,734,677</u>
Total net assets	<u>28,261,082</u>	<u>27,560,261</u>
Represented by:		
Unitholders	28,151,410	27,482,536
Non-controlling Interests	109,672	77,725
	<u>28,261,082</u>	<u>27,560,261</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612⁶</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>99.26</u>	<u>96.90⁶</u>

Notes:

1. The derivative financial instruments (current assets) as at 30 June 2014 comprised a zero cost collar (valued at its maximum strike) entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payments which are expected to take place in September 2014.

The derivative financial instruments (current assets) as at 30 June 2013 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which took place in September 2013.

2. The increase in investment properties of JPY 0.9 billion from JPY 41.2 billion as at 30 June 2013 to JPY 42.1 billion as at 30 June 2014 was mainly due to the increase in the fair value of Saizen REIT's properties.
3. The derivative financial instruments (current liabilities) as at 30 June 2014 comprised a zero cost collar (valued at its minimum strike) and a forward contract entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in September 2014 and March 2015 respectively.

The derivative financial instruments (current liabilities) as at 30 June 2013 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which took place in March 2014.

4. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in the interest rates of loans.
5. Other non-current liabilities (comprising provision for asset management fees) and deferred tax liabilities were recognised in connection with the fair value gain on investment properties.
6. These have been adjusted for the effects of the Unit Consolidation.

	Saizen REIT	
	As at 30 Jun 2014 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	1,722,093	1,054,856
Distribution receivable	633,236	861,502
Other receivables	782	439
Other assets	1,226	1,376
Derivative financial instruments	4,386	31,583
	<u>2,361,723</u>	<u>1,949,756</u>
Non-current assets		
Investment in subsidiaries	26,984,688	26,824,866
	<u>26,984,688</u>	<u>26,824,866</u>
Total assets	<u>29,346,411</u>	<u>28,774,622</u>
Current liabilities		
Borrowings ¹	975,594	939,386
Other current liabilities	76,569	124,953
Current tax liabilities	128,938	173,578
Derivative financial instruments	7,725	28,679
	<u>1,188,826</u>	<u>1,266,596</u>
Total liabilities	<u>1,188,826</u>	<u>1,266,596</u>
Total net assets	<u>28,157,585</u>	<u>27,508,026</u>
Represented by:		
Unitholders	<u>28,157,585</u>	<u>27,508,026</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612²</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>99.28</u>	<u>96.99²</u>

Notes:

1. This comprised advances drawn down from credit facilities which are backed by cash deposits.
2. These have been adjusted for the effects of the Unit Consolidation.

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities

	As at 30 Jun 2014 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	1,559,034	1,519,388
Amount repayable after one year	15,729,710	16,462,821
	<u>17,288,744</u>	<u>17,982,209</u>

Borrowings as at 30 June 2014 were secured over investment properties valued at JPY 39.3 billion in aggregate and bank deposits of JPY 1.0 billion. The decrease in borrowings from JPY 18.0 billion as at 30 June 2013 to JPY 17.3 billion as at 30 June 2014 was mainly due to loan principal amortisation payments.

1(c) Cash flow statement (for the Group) (4Q FY2014 vs 4Q FY2013)

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)
Operating activities		
Total return for the period after income tax	1,078,100	989,603
Adjustments for:		
Income tax	117,515	141,880
Interest income	(444)	(568)
Interest expenses	101,989	107,024
Net fair value loss/(gain) on financial derivatives	67,731	(123,527)
Gain on divestment of properties	(4,716)	-
Net fair value gain on investment properties	(838,431)	(584,668)
Unrealised foreign exchange (gain)/loss from financing	(5,484)	96,671
Operating profit before working capital changes ¹	516,260	626,415
Changes in working capital		
Deposit with cash management agents	-	(15)
Trade and other receivables	299	(1,587)
Other current assets	2,039	19,008
Other current liabilities	(27,196)	19,265
Other non-current liabilities	14,453	15,882
Rental received in advance	(15,031)	70,094
Rental deposits	(9,766)	(8,568)
Cash generated from operations	481,058	740,494
Income tax	(3)	(153)
Withholding tax paid	(21,469)	(5,000)
Cash flows provided by operating activities	459,586	735,341
Investing activities		
Capital expenditure/addition of investment properties	(12,424)	(1,346,818) ²
Proceeds from sale of investment properties	55,116 ³	-
Cash flows provided by/(used in) investing activities	42,692	(1,346,818)
Financing activities		
Repayment of bank borrowings	(192,009)	(158,411)
Interest received	460	569
Interest paid ⁴	(198,036)	(100,836)
Payment for Unit buy-back	-	(9,548)
Payment of interest rate swap	(20,163)	(20,147)
Bank deposits pledged for bank borrowings	5,484	(96,671)
Cash flows used in financing activities	(404,264)	(385,044)
Net increase/(decrease) in cash and cash equivalents	98,014	(996,521)
Cash and cash equivalents at beginning of the period	3,893,823	5,856,768
Cash and cash equivalents at end of the period ⁵	3,991,837	4,860,247

Notes:

1. The decrease in operating profit before working capital changes was mainly due to unrealised foreign exchange differences on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.
2. This related mainly to the acquisitions of 2 properties in 4Q FY2013.
3. This related to the sale of 1 property in 4Q FY2014.
4. The increase was mainly due to one-off borrowing costs of JPY 108.0 million paid in 4Q FY2014 in relation to the extension of the TSB Loan in June 2014.

5. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	4Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)
Cash and bank balances (per balance sheet)	5,162,431	5,994,633
Less: Bank deposits pledged	(1,170,594)	(1,134,386)
	<u>3,991,837</u>	<u>4,860,247</u>

Bank deposits pledged related to minimum bank balances which are to be maintained by Saizen REIT, GK Choan and GK Tosei under the terms of their respective loans or credit facilities.

1(c) Cash flow statement (for the Group) (FY2014 vs FY2013)

	FY2014 (JPY'000)	FY2013 (JPY'000)
Operating activities		
Total return for the year after income tax before distribution	2,131,826	1,672,779
Adjustments for:		
Income tax	261,988	264,611
Interest income	(2,611)	(2,318)
Interest expenses ¹	414,170	708,674
Net fair value loss/(gain) on financial derivatives	189,575	(16,109)
Gain on divestment of properties	(4,716)	(15,807)
Net fair value gain on investment properties	(838,431)	(403,296)
Unrealised foreign exchange loss from financing	36,208	110,919
Operating profit before working capital changes ²	<u>2,188,009</u>	<u>2,319,453</u>
Changes in working capital		
Deposit with cash management agents	30	52
Trade and other receivables	7,447	2,557
Other current assets	2,900	(24,432)
Other current liabilities	(72,092)	47,525
Other non-current liabilities	14,453	15,882
Rental received in advance	(54,560)	80,466
Rental deposits	(26,388)	7,049
Cash generated from operations	<u>2,059,799</u>	<u>2,448,552</u>
Income tax paid	(1,143)	(1,254)
Withholding tax paid	(231,098)	(173,286)
Cash flows provided by operating activities	<u>1,827,558</u>	<u>2,274,012</u>
Investing activities		
Net cash effect on acquisition of subsidiary	-	(40)
Capital expenditure of investment properties	(90,669)	(4,445,104)
Proceeds from sale of investment properties	55,116	129,807
Cash flows used in investing activities	<u>(35,553)</u>	<u>(4,315,337)</u>
Financing activities		
Bank borrowings obtained ³	-	13,448,463
Repayment of bank borrowings ⁴	(668,092)	(8,760,066)
Distribution to Unitholders	(1,431,005)	(1,273,453)
Interest received	2,643	2,271
Interest paid ⁵	(475,993)	(707,612)
Payment for Unit buy-back	-	(71,351)
Net settlement of interest rate swap and forward contract	(51,760)	(63,671)
Bank deposits pledged for bank borrowings	(36,208)	(739,386)
Cash flows (used in)/provided by financing activities	<u>(2,660,415)</u>	<u>1,835,195</u>
Net decrease in cash and cash equivalents	(868,410)	(206,130)
Cash and cash equivalents at beginning of the year	4,860,247	5,066,377
Cash and cash equivalents at end of the year ⁶	<u>3,991,837</u>	<u>4,860,247</u>

Notes:

1. The decrease in interest expenses was mainly due to the non-recurrence of loan commission written-off and the cost of refinancing/repayment relating to the refinancing of loans in February 2013 and March 2013.
2. The decrease in operating profit before working capital changes was mainly due to unrealised foreign exchange differences on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.
3. Proceeds from bank borrowings in FY2013 comprised (i) 4 term loans of JPY 12.6 billion in aggregate, and (ii) advances of S\$12 million (JPY 828.5 million) drawn down from credit facilities.
4. Repayment of bank borrowings in FY2013 comprised mainly the repayment of 4 term loans. Repayment of bank borrowings in FY2014 comprised loan principal amortisation payments.
5. The decrease was mainly due to one-off borrowing costs and cost of refinancing/repayment paid in FY2013 in relation to the refinancing of loans in February 2013 and March 2013, which was partially offset by one-off borrowing costs paid in FY2014 in relation to the extension of the TSB Loan in June 2014.
6. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)
Cash and bank balances (per balance sheet)	5,162,431	5,994,633
Less: Bank deposits pledged	(1,170,594)	(1,134,386)
	<u>3,991,837</u>	<u>4,860,247</u>

Bank deposits pledged related to minimum bank balances which are to be maintained by Saizen REIT, GK Choan and GK Tosei under the terms of their respective loans or credit facilities.

1(d)(i) Statement of changes in Unitholders' funds

The Group	FY2014 (JPY'000)	FY2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(12,242,909)	(12,623,323)
Total return for the year	2,099,879	1,653,867
Distribution to Unitholders	(1,156,005)	(1,273,453)
Balance as at end of year	<u>(11,299,035)</u>	<u>(12,242,909)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	39,725,445	39,796,796
Distribution to Unitholders ¹	(275,000)	-
Cancellation of Units pursuant to Unit buy-back	-	(71,175)
Costs relating to Unit buy-back	-	(176)
Balance as at end of year	<u>39,450,445</u>	<u>39,725,445</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>28,151,410</u>	<u>27,482,536</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the year	77,725	58,853
Effect on investment in new TK operator	-	(40)
Total return for the year	31,947	18,912
Balance as at end of year	<u>109,672</u>	<u>77,725</u>
TOTAL	<u>28,261,082</u>	<u>27,560,261</u>

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	FY2014 (JPY'000)	FY2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(13,472,346)	(13,976,493)
Total return for the year	2,080,564	1,777,600
Distribution to Unitholders	(1,156,005)	(1,273,453)
Balance as at end of year	(12,547,787)	(13,472,346)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	40,980,372	41,051,723
Distribution to Unitholders ¹	(275,000)	-
Cancellation of Units pursuant to Unit buy-back	-	(71,175)
Costs relating to Unit buy-back	-	(176)
Balance as at end of year	40,705,372	40,980,372
TOTAL ATTRIBUTABLE TO UNITHOLDERS	28,157,585	27,508,026

Note:

1. This relates to the utilisation of warrant proceeds to offset loan amortisation for distribution purposes.

1(d)(ii) Details of changes in the Units and utilisation of warrant proceeds

	4Q FY2014 (Units)	4Q FY2013 (Units)
Issued Units as at beginning of period	283,611,720	1,418,763,795
Adjustment arising from Unit Consolidation	-	(1,134,447,075)
Cancellation of Units pursuant to Unit buy-back	-	(705,000)
Issued Units as at end of period	283,611,720	283,611,720

The Unit Consolidation, which was approved by Unitholders on 30 October 2013, was completed on 8 November 2013.

Unitholders also approved the renewal of Saizen REIT's Unit buy-back mandate on 30 October 2013.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$1.1 million has been used for Units buy-backs, S\$0.3 million has been used for working capital purposes (daily operating expenses) and approximately S\$20.1 million had been deployed towards the repayment of borrowings and approximately S\$8.5 million had been deployed for offsetting loan principal repayment in connection with distribution payments. Warrant proceeds have been deployed towards uses as approved by Unitholders.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

While these figures have neither been audited nor reviewed by our auditors, the audit is on-going and the audited financial statements will be presented in Saizen REIT's FY2014 annual report.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

For the current period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2013.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted the new and amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from 1 July 2013. The adoption of these new or amended FRS and INT FRS do not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

6. **Earnings per Unit for the financial period**

Earnings per Unit ("EPU") of the Group for the current financial period reported on, and the corresponding period of the immediately preceding financial year:-

- (a) Basic EPU
Basic EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of Units in issue during the financial period.
- (b) Diluted EPU
Diluted EPU is the same as the basic EPU as no dilutive instruments were in issue during the financial period.

		4Q FY2014	4Q FY2013	FY2014	FY2013
Total return for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)		1,062,886	981,399	2,099,879	1,653,867
EPU - basic and diluted	(JPY)	3.75	3.46	7.40	5.82
	(cents)	4.60 ¹	4.37 ²	9.22 ³	8.23 ⁴
Weighted average number of Units ⁵		283,611,720	283,732,616	283,611,720	284,121,649

Notes:

1. Based on an average exchange rate of JPY81.6/US\$ between 1 April 2014 and 30 June 2014.
2. Based on an average exchange rate of JPY79.1/US\$ between 1 April 2013 and 30 June 2013.
3. Based on an average exchange rate of JPY80.3/US\$ between 1 July 2013 and 30 June 2014.
4. Based on an average exchange rate of JPY70.7/US\$ between 1 July 2012 and 30 June 2013.
5. These have been adjusted for the effects of the Unit Consolidation.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 June 2014 and 30 June 2013

The Group

	As at 30 June 2014	As at 30 June 2013
NAV per Unit based on issued Units at the end of financial period		
(JPY)	99.26	96.99
(S\$)	1.22 ¹	1.24 ²

Saizen REIT

	As at 30 June 2014	As at 30 June 2013
NAV per Unit based on issued Units at the end of financial period		
(JPY)	99.28	96.99
(S\$)	1.22 ¹	1.24 ²

Notes:

1. Based on an exchange rate of JPY81.3/S\$ as at 30 June 2014.
2. Based on an exchange rate of JPY78.3/S\$ as at 30 June 2013.

8. Review of performance

Income statement: FY2014 vs FY2013

	FY2014 ¹ (JPY'000)	FY2013 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,954,382	3,823,646	3.4
Property operating expenses ³	(1,227,489)	(1,166,874)	5.2
Net property income	2,726,893	2,656,772	2.6
Asset management fees	(48,203)	(49,797)	(3.2)
Interest expenses ⁴	(445,652)	(436,949)	2.0
Guarantor fee to asset manager	(31,668)	(29,307)	8.1
Other administrative expenses	(108,361)	(136,789)	(20.8)
Net income from property operations	2,093,009	2,003,930	4.4
Interest income	2,611	2,318	12.6
Net foreign exchange (loss)/gain ⁵	(7,567)	95,467	NM ⁶
Other operating expenses ⁷	(428,826)	(668,549)	(35.9)
Adjustment ⁸	81,015	69,012	17.4
Net income from operations	1,740,242	1,502,178	15.8

Notes:

1. There were 139 properties at the start of FY2014 and 138 properties at the end of FY2014.
2. There were 134 properties at the start of FY2013 and 139 properties at the end of FY2013.
3. Property operating expenses comprised the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase / (Decrease) %
Property tax	285,129	264,001	8.0
Property manager's fees	155,929	150,596	3.5
Operation and maintenance expenses	186,649	182,481	2.3
Repairs and renovations	217,655	199,279	9.2
Leasing and marketing expenses	120,744	121,074	(0.3)
Utilities charges	172,753	163,466	5.7
Insurance expenses	44,309	46,662	(5.0)
Write back of impairment on trade receivables	(311)	(1,549)	(79.9)
Trade receivables written-off	978	3,314	(70.5)
Consumption tax arising from operations	43,654	37,550	16.3

4. Interest expenses included the realised loss (payment) on interest rate swap.

5. *Net foreign exchange (loss)/gain comprised mainly unrealised foreign exchange (loss)/gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.*
6. *NM denotes not meaningful.*
7. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding foreign exchange differences from financing, interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*
8. *The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.*

Property-level operations

Gross revenue and net property income increased by 3.4% and 2.6% respectively in FY2014, due mainly to the acquisitions of 7 properties over the course of FY2013. This was partially offset by the divestment of 1 property in FY2014.

Average occupancy rates in FY2014 was 91.0% as compared to 91.9% in FY2013, while overall rental reversion of new contracts entered into in FY2014 was marginally lower by about 0.5% (FY2013: lower by about 0.5%) from previous contracted rates.

Property operating expenses increased by 5.2%. Higher repairs and renovations expenses, which increased by 9.2%, were incurred to enhance the competitiveness of Saizen REIT's properties. The higher repair and renovation expenses also included approximately JPY 4.4 million in water leakage repair works which were covered by insurance. The increase in consumption tax arising from operations was mainly due to the increase in consumption tax rate from 5% to 8% from April 2014.

The increase in guarantor fees for loans of 8.1% was mainly due to an increase in borrowings following the refinancing of loans in FY2013.

Other administrative expenses decreased by 20.8%, due mainly to the non-recurrence of legal and professional fees which were incurred in connection with the refinancing of loans in FY2013.

Net income from property operations increased by 4.4% in FY2014, due mainly to the increase in net property income and the decrease in other administrative expenses.

Group-level operations

Net income from operations increased 15.8% from JPY 1,502.2 million in FY2013 to JPY 1,740.2 million in FY2014, due mainly to the increase in net income from property operations and the non-recurrence of one-off refinancing-related costs incurred in FY2013, namely swap breakage costs (JPY 135.9 million) and loan commission written-off (JPY 148.0 million).

This was partially offset by:

- (a) an increase in other trust expenses of 32.1%, due mainly to increases in audit fees and valuation fees.

Audit fees increased from JPY 32.3 million in FY2013 to JPY 50.5 million, due mainly to an increase in accruals for audit fees in JPY-terms as a result of the depreciation of the JPY against the S\$ and US\$.

Valuation fees of JPY 44.9 million which were recognised in FY2014 comprised accruals of JPY 41.0 million (about JPY 10.3 million per quarter) for the current financial year and additional accruals of JPY 3.8 million for under-accruals in the previous financial year. Comparatively, valuation fees of JPY 35.0 million which were recognised in FY2013 comprised accruals of JPY 37.2 million (about JPY 9.3 million per quarter) which were partially offset by a write-back of JPY 2.2 million for over-accruals in the previous financial year;

- (b) a net foreign exchange loss of JPY 7.6 million in FY2014 as compared to a net foreign exchange gain of JPY 95.5 million in FY2013. The net foreign exchange loss in FY2014 was mainly due to the depreciation of the JPY against the S\$ in FY2014; and
- (c) an increase in the Manager's management fee of 8.4% in FY2014, due mainly to increase in Saizen REIT's total assets pursuant to the acquisitions of properties over the course of FY2013 as well as the increase in fair value of properties at the end of FY2013.

Other Group-level non-operating items

1 property was divested in FY2014, resulting in a gain on disposal of JPY 4.7 million. Comparatively, the divestment of 2 properties in FY2013 resulted in gains on disposal of JPY 15.8 million.

The unrealised fair value loss on interest rate swap of JPY 131.6 million in FY2014 arose mainly due to interest rate swap arrangements entered into to fix the interest rates of loans.

A fair value gain on forward contract and/or zero cost collar of JPY 23.0 million was recognised in FY2014 as JPY had weakened against the S\$ in FY2014. Comparatively, a fair value gain of JPY 8.2 million was recognised in FY2013.

The net fair value gain on investment properties was JPY 838.4 million in FY2014. This is in line with the improvement as observed in the overall property market, augmented by a compression of average capitalisation rates in many cities. The increase in property valuation had been more pronounced in cities such as Fukuoka, Hiroshima, Sapporo and Tokyo. On the other hand, valuations had been weighed down by an overall marginal 0.5% decrease in rental reversion of new contracts entered into in FY2014, increases in renovation expenses for older properties and challenging leasing conditions in Kitakyushu.

Income statement: 4Q FY2014 vs 3Q FY2014

	4Q FY2014 ¹ (JPY'000)	3Q FY2014 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	986,741	989,058	(0.2)
Property operating expenses ³	(311,873)	(327,734)	(4.8)
Net property income	674,868	661,324	2.0
Asset management fees	(22,529)	(8,396)	>100.0
Interest expenses ⁴	(109,495)	(109,513)	0.0
Guarantor fee to asset manager	(7,794)	(7,834)	(0.5)
Other administrative expenses	(27,191)	(28,492)	(4.6)
Net income from property operations	507,859	507,089	0.2
Interest income	444	789	(43.7)
Net foreign exchange loss ⁵	(1,086)	(2,693)	(59.7)
Other operating expenses ⁶	(107,181)	(106,919)	0.2
Adjustment ⁷	20,163	19,908	1.3
Net income from operations	420,199	418,174	0.5

Notes:

1. There were 139 properties at the start of 4Q FY2014 and 138 properties at the end of 4Q FY2014.
2. There were 139 properties at the start of the preceding third quarter ended 31 March 2014 ("3Q FY2014") and at the end of 3Q FY2014.

3. *Property operating expenses comprised the following:*

	4Q FY2014 (JPY'000)	3Q FY2014 (JPY'000)	Increase / (Decrease) %
Property tax	73,000	70,761	3.2
Property manager's fees	38,641	38,618	0.1
Operation and maintenance expenses	45,443	49,254	(7.7)
Repairs and renovations	55,295	55,142	0.3
Leasing and marketing expenses	33,696	41,787	(19.4)
Utilities charges	41,662	49,050	(15.1)
Insurance expenses	11,299	10,931	3.4
Write back of impairment on trade receivables	166	873	(81.0)
Trade receivables written-off	85	53	60.4
Consumption tax arising from operations	12,586	11,265	11.7

4. *Interest expenses included the realised loss (payment) on interest rate swap.*5. *Net foreign exchange loss comprised mainly unrealised foreign exchange loss on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.*6. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*7. *The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.*Property-level operations

Notwithstanding the sale of a property in May 2014, gross revenue remained relatively stable in 4Q FY2014 as compared with 3Q FY2014. Net property income in 4Q FY2014 increased by 2.0% on the back of lower property operating expenses.

The average occupancy rate was 91.0% in 4Q FY2014 as compared to 91.1% in 3Q FY2014, while overall rental reversion of new contracts entered into in 4Q FY2014 was marginally lower by about 0.3% (3Q FY2014: lower by about 0.7%) from previous contracted rates.

Property operating expenses decreased by 4.8% in 4Q FY2014 as compared to 3Q FY2014, due mainly to seasonality of certain expenses, such as leasing and marketing expenses, utilities expenses and operation and maintenance expenses, which were higher during the leasing and winter seasons in 3Q FY2014.

Asset management fees (which are computed as 3% of the property business profits prepared under Japanese GAAP) increased from JPY 8.4 million in 3Q FY2014 to JPY 22.5 million in 4Q FY2014, due mainly to provisions of asset management fees of JPY 14.5 million in connection with the fair value gain in investment properties (as any gains on the disposal of properties could increase property business profits).

Net income from property operations remained relatively stable in 4Q FY2014.

Group-level operations

Net income from operations increased marginally by 0.5% from JPY 418.2 million in 3Q FY2014 to JPY 420.2 million in 4Q FY2014, due mainly to a decrease in net foreign exchange losses. The net foreign exchange loss of JPY 1.1 million in 4Q FY2014 arose mainly due to the depreciation of the S\$ against the JPY in the quarter.

Other Group-level non-operating items

A fair value loss on forward contract and/or zero cost collar of JPY 11.7 million was recognised in 4Q FY2014 as S\$ had weakened against the JPY in 4Q FY2014. Comparatively, a fair value loss of JPY 38.7 million was recognised in 3Q FY2014.

9. Variance between previous forecast or prospect statement and actual results

Saizen REIT has not disclosed any forecast to the market, and its results for the current financial period/year reported on were in line with its commentary under the section “Outlook and prospects” in the previous quarter’s results announcement.

10. Outlook and prospects

In June 2014, Saizen REIT announced the completion of its strategic review of options. As a matter of priority, focus will be placed on Saizen REIT’s capital structure, in particular, its cash management and levels of leverage. As funds are made available as the capital structure is optimised, efforts will be made to seek opportunities to expand Saizen REIT’s property portfolio. The Board believes that such a strategy will best achieve the objective of enhancing Unitholder value through long-term growth in distributions and net asset value per Unit.

A 30-year loan of JPY 450.0 million (S\$5.5 million) from the Hiroshimashi Credit Cooperative was secured in July 2014. The loan-to-value ratio of this loan is 67%. Currently, Saizen REIT has 4 unencumbered properties which are valued at an aggregate of approximately JPY 2.1 billion (S\$25.8 million). The Management Team is actively exploring the possibility of raising funds with existing and new lenders via the use of Saizen REIT’s unencumbered properties as collateral.

Saizen REIT divested a property, namely Sun Port 6, in July 2014 for JPY 168.0 million (S\$2.1 million), which represented a premium of approximately 12.8% to its valuation.

The Japanese government had continued the implementation of its expansionary economic policies and reform program over the past year. According to a report from Savills, mid-market rent of rental apartments in the 23-ward area of Tokyo showed quarter-on-quarter and year-on-year increases of 0.3% and 1.1% respectively in the quarter ended 30 June 2014. The Management Team remains hopeful that rental deflation will gradually filter through to the other cities in Japan.

Hedging of foreign exchange exposure

As Saizen REIT’s distributable income from operations is generated in JPY, its S\$-denominated distributions are dependent on the JPY-S\$ cross rates.

Saizen REIT has hedged the distribution payment for the six-month financial period ending 31 December 2014, which is expected to be paid in March 2015, at an average rate of JPY81.9/S\$. Management will look into hedging the distribution payment for the six-month financial period ending 30 June 2015 in due course.

While Saizen REIT may enter into hedging transactions for its distributable income, the foreign exchange exposure on Saizen REIT’s assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged. A weakening of the JPY against the S\$ will have a negative impact on the net asset value of Saizen REIT in S\$-terms.

Distributions

Property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy.

Saizen REIT’s distributable income from operations is affected by cash deployed for loan principal amortisation payments, which currently amount to approximately JPY 647.8 million (S\$8.0 million) annually. It is Saizen REIT’s intention to utilise, when possible, undeployed capital cash resources to offset loan principal amortisation, thereby effectively making available cash from operations for distributions. Please refer to section 1(a) for more information.

11. Distributions**11(a) Current financial period**

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2014
Distribution type	Tax-exempt income
Distribution rate	3.10 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for FY2014.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2014.</p>

11(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial year?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2013
Distribution type	Tax-exempt income
Distribution rate	0.63 cents per Unit (equivalent to 3.15 cents per Unit as adjusted for the Unit Consolidation)
Tax rate	<p>(a) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p>

	<p>(b) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for FY2013.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2013.</p>
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11(c) Date payable

26 September 2014

11(d) Books closure date

4 September 2014, 5.00 p.m.

12. Segmental results

Segment information has not been presented as all the Group's investment properties are used primarily for rental purposes and are located in Japan.

13. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

14. A breakdown of sales

<u>The Group</u>	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase/ (Decrease) %
(a) Gross revenue reported for first half year	1,978,583	1,871,757	5.7
(b) Total return before deducting non-controlling interest reported for first half year	784,679	728,425	7.7
(c) Gross revenue reported for second half year	1,975,799	1,951,889	1.2
(d) Total return before deducting non-controlling interest reported for second half year	1,347,147	944,354	42.7

15. A breakdown of the total annual distribution

<u>Distribution to Unitholders (the Group)</u>	FY2014 (JPY'000)	FY2013 (JPY'000)
1 July 2012 to 31 December 2012 (paid)		703,802
1 January 2013 to 30 June 2013 (paid)		687,669
1 July 2013 to 31 December 2013 (paid)	743,335	
1 January 2014 to 30 June 2014 (to be paid) ¹	720,941	
	1,464,276	1,391,471

Note:

1. Based on 283,611,720 Units in issue as at the date of this announcement and on an estimated hedged exchange rate of JPY82.00/US\$.

16. Interested person transactions

Guarantor fees paid to the Asset Manager amounted to an aggregate of JPY 31.7 million (S\$0.4 million) in FY2014.

Divestment fees paid to the Manager for the sale of 1 property amounted to JPY 0.2 million (approximately S\$2,200) in FY2014.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 25.8 million (S\$0.3 million) in FY2014.

Fees paid to the Asset Manager for the rental of office premises amounted to JPY 0.8 million (approximately S\$10,000) in FY2014.

17. General mandate for interested person transactions

Saizen REIT has not obtained a general mandate from Unitholders for interested person transactions.

18. Disclosure of person occupying a managerial position pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying managerial position in the Manager or in its principal subsidiaries (if any), who is a relative of a director or co-chief executive officer or substantial shareholder of the Manager or substantial Unitholder of Saizen REIT.

This release may contain forward-looking statements that involve risks and uncertainties. Future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in tenant demands, changes in operating expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the current view of Management Team on future events.

BY ORDER OF THE BOARD

Chang Sean Pey
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

26 August 2014